

NEW HAMPSHIRE STATE LIQUOR COMMISSION

MINUTES OF MEETING – JULY 21, 2004

PRESENT: Chairman Anthony Maiola and Commissioners John Byrne and Patricia Russell; John Bunnell, Administrator of Marketing & Sales; Craig Bulkley, Bureau Chief of Administrative Services; Aidan Moore, Chief of Enforcement; Peter Engel, Director of Store Operations; Richard Gerrish, Spirits Marketing Specialist; Nicole Horton, Wine Marketing Specialist; Evie Taft, Human Resources Administrator; Richard Racicot, System Support Specialist IV. Guests: Al Picconi, United Beverages, Inc.; Michael Goclowski, Law Warehouse.

EXCUSED: Howard Roundy, Director of Information Technology; George Tsiopras, Chief Financial Officer.

I. FINANCIAL & ADMINISTRATIVE REPORTS

1. Financial Reports

A. Weekly, Y-T-D Sales Reports:

The SA1000 report for the week ending July 18, 2004 shows retail sales were up slightly over 2.9%, on-premise sales were up about 8.4%, off-premise sales were up 40.7%, and total aggregate sales were up almost 7.67%. The traffic count decreased by 1,781, but the average sales ticket increased by \$1.89.

The W-1 Total Weekly Sales report for the same week confirms sales were up 7.67% or \$587,207 for the weekly comparison, and were also up for the year by 8.2% or \$1,679,163. Wines sales increased for the week by about 8.2% or \$576,489, as they did by 8.97% or \$776,181 for the year. Sales of spirits were up .24% or \$10,718 for the year, and were also up year-to-date by 7.6% or \$902,982.

B. Budget/Administrative Reports:

Regarding outstanding depletions and post-offs, Craig reported that there are two brokers currently in arrears for May. They have been contact and arrangements for payment have been made.

The gift card report has been revised to compare current FY05 figures with FY04. Paper certificates still appear just as a point of reference. Craig gave a power point presentation showing gift card sales by month and averages for FY04. It also showed the breakout of the nine available gift cards and their values by denomination. Commissioner Byrne requested a run of sales figures for the cards. Craig pointed out that the industry standard is 6 to 10% for breakage (what is not redeemed), while the Commission's percentage was significantly above this. Commissioner Byrne asked if anything could be

done on the redemption side. Craig said some ideas could probably be developed for greater use. Commissioner Byrne requested a sample of this.

Internal lapse numbers have been distributed to the Bureau Chiefs, asking them for comments. These will be presented at next week's meeting. This year will be very tight, with the lapse somewhere in the \$800,000 range. Most of this will be used by the shortage in the benefits line, utilities and a few other areas. George asked the Bureau Chiefs for any input they may have.

2. IT Report:

Rick Racicot said that a move will be made from ACR 2000 to ACR 5000 now that the contract amendment has been approved. Lanes will be much more stable, and 12-digit numbers will be accepted for credit cards. There will also be some other enhancements; more details will be given as known.

The hardware has been tested for the Disaster Recovery Plan. The wrong backup software was sent from Dell; this is in the process of being corrected and should be moved out to Store #76 Hampton within a couple of weeks. IT is currently in the process of putting in cables and other connections.

Installation of gift card on-line processing is nearly complete, and detailed testing will be done make sure everything is correct. This project should be ready to go in a week to ten days.

Testing of licensee credit card on-line payments is in its second week. More solid results are needed before implementation of this program.

Data conversion is almost complete for on-line licensing for Enforcement. Aidan said a demo will be conducted next Thursday to help determine what the software is capable of, with input from N.H. Grocers Association and N.H. Restaurant & Lodging Association.

Work is being done to enable brokers and vendors to submit some special offers on-line. In addition, work on an automated leave request process is coming along well and should be in place within four to six weeks.

3. Human Resources Report:

Evie reported that Risk Management and Liberty Mutual are in the process of getting a program in place for workers' compensation. She will put a report together on a product called RiskTrac, which is a reporting system. Within the next several months, Evie hopes training will be available. There is a hearing on August 5th for an individual on workers' compensation who has been out of work for eighteen months which will, hopefully, bring this case to a conclusion.

Evie has been working with Anne Marie Welch on forming a Safety Committee, and a meeting is now ready to be scheduled. There are several volunteers who are really interested in serving on this committee. In addition, information on workers' compensation will be distributed at the regional managers' meetings so participants will know what areas need to be worked on.

Evie has been trying to find a good video regarding sexual harassment. Training in this area will begin with the Enforcement bureau, then go to headquarters and then to the stores. Craig mentioned that he had asked Education and Training for their assistance, but they charge for their services. Evie also contacted several other pertinent agencies, but they were unable to help. Efforts will be made to obtain current materials in the future.

II. MARKETING & SALES REPORTS

1. Store Operations:

Total retail sales for the week ending 7/18/04 increased by 2.3% or \$146,223.82. Peter commented that the Winston Cup race took place a week earlier this year.

There will be a Supervisor/Managers meeting tomorrow from 10:00 a.m. to 1:00 p.m. in the downstairs conference room.

One-half of the stores have been or will be visited in July, with the other half scheduled for August, in regards to the Merchandising Mania promotion. Peter and the Chairman were in the North Country last week, and the stores in that area appeared to be in good shape.

In regards to leases, Peter reported that he has been in contact with John Stronk regarding the Chesterfield location. Tom Riley, landlord of the current Keene location, is willing to extend the lease for that store. Hannaford is in receipt of the proposed Bedford lease, which should be signed and sent back to the Commission soon.

2. Purchasing Report:

The in-stock situation is very good at this time, with just a few glitches in the wine department. Nicole reported that Martignetti has been briefly out of stocks for their summer program, and that additional orders were placed to handle that sale. Allied Domecq is also having some major shortage issues. Some orders were placed back in May which still haven't been shipped. Marketing is working with Horizon Beverage Company on this issue.

3. Merchandising Report:

A. SPIRITS:

1) Test Market Products:

a. Test Market Request (Cruzan Raspberry Rum):

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve a request from United Beverages, Inc./Todhunter Imports, Ltd. for a new test market listing for Cruzan Raspberry Rum, 750ML size (assigned four-digit Code #4322), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. Test Market Request (Don Julio 1942 Tequila):

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve a request from United Beverages, Inc./Diageo North America for a new test market listing for Don Julio 1942 Tequila, 750ML size (assigned four-digit Code #3923), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. Test Market Request (Don Julio Reposado Tequila):

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve a request from United Beverages, Inc./Diageo North America for a new test market listing for Don Julio Reposado Tequila, 750ML size (assigned four-digit Code #3925), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

2) Size Extensions:

a. Line Extension Request (Smirnoff Green Apple Vodka):

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve a request from United Beverages, Inc./Diageo North America for a line extension on Smirnoff Green Apple Twist Vodka, 1.75L size (assigned four-digit

Code #3899), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. Size Extension Request (St. Remy VSOP Brandy):

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve a request from Martignetti Companies of N.H. for a size extension for St. Remy VSOP French Brandy, 1.75L size (assigned four-digit Code #4739), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) Product Demo (Kuya Fusion Spiced Rum):

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve a request from Horizon Beverage Company/ Allied Domecq Spirits USA to conduct product informational demonstrations for Kuya Fusion Spiced Rum, 750ML size at Stores #34 Salem, #38 Portsmouth, #49 Plaistow, #50 Nashua, #66 and #67 Hooksett, and #73 and #76 Hampton, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales, but that the demos be allowed to take place from Friday, July 23 through Saturday, August 7, 2004. The motion was unanimously adopted.

4) September Special Offers:

a. 1 item – Horizon Beverage Company:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve a special offer from Horizon Beverage Company, based upon depletions of one (1) spirit item, to be featured on sale during September 2004, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. 114 items – United Beverages, Inc.:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve special offers from United Beverages, Inc., based upon depletions of one hundred fourteen (114) spirit items, to be featured on sale during September 2004, as

recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. 3 items (unmatched) – United Beverages, Inc.:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve special offers from United Beverages, Inc., based upon depletions of three (3) spirit items (without matching funds), to be featured on sale during September 2004, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

B. WINES:

1) Keene Wine Event:

Commissioner Russell referred to a letter from Toni Ellsworth of Rise for Baby and Family in Keene, stating that the Keene wine tasting was their most successful fundraising event thus far, with a sell out attendance of over 350 guests. It was moved by Commissioner Russell, seconded by Commissioner Byrne, that the Commission grant Ms. Ellsworth's request to conduct a similar event during June 2005. The motion was unanimously adopted.

2) New Wine Product Listings (general distribution – Codes #35767, #35768 & #28641):

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve the general distribution (to be available for all stores to order if needed) of the following three (3) wine codes, each of which earned at least \$6,500 during a twelve-month period, the majority of which have been in the retail and on-premise markets, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales: Code #35767, Chardonnay Talus California, 1.5L; Code #35768, Merlot Talus California, 1.5L; and Code #28641, Merlot Beaul. Napa Valley, 750ML. The motion was unanimously adopted.

3) Special Offers for September 2004:

a. 16 items – Pine State Trading Co./E & J Gallo Winery:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve special offers from Pine State

Trading Company/E & J Gallo Winery, based upon depletions of sixteen (16) wine items, to be featured on sale during September 2004, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- b. 162 items – United Beverages, Inc.:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve special offers from United Beverages, Inc., based upon depletions of one hundred sixty-two (162) wine items, to be featured on sale during September 2004, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 4) Napa Valley Vineyards:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve revised special offers from E & J Gallo Winery for three (3) Napa Valley Vineyard wine items, to be featured on sale during August 2004, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 5) Close Out (2 items – Horizon Beverage Company):

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve close out price reductions on two (2) wine items submitted by Horizon Beverage Company, including a floor stock adjustment and mark-up, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 6) Wine Tasting Rules:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission proceed to adopt proposed rule changes for Wine Listing procedures as outlined in Liq. 301, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 7) Recommended Wine Specialty Products (31 items):

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve the designation of thirty-one (31) wine codes

as wine specialty products, to be carried in wine specialty stores, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

8) Recommended Allocated Wines for Distribution to Selected Stores (17 items)

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve seventeen (17) allocated wines for distribution to selected stores, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

9) “R” Wines for Allocation to Licensees Selected by the Broker (2 items):

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve two (2) “R” wines to be allocated to licensees selected by the broker, and retail distribution, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

10) Primary Source Submissions (6 items – exclusive agent; 26 items – imported)

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve the listing of six (6) wine codes which are not from primary source, but are offered by the exclusive marketing agent, and twenty-six (26) wine codes which are not from primary source, but are imported, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

III. ENFORCEMENT & LICENSING REPORT – None.

IV. CHAIRMAN’S REPORT & LATE ITEMS

1. Bailment Requests:

It was moved by Commissioner Byrne, seconded by Commissioner Maiola, that the Commission approve all previously reviewed requests for bailment releases/transfers dated July 15 through July 21, 2004. The motion was unanimously adopted.

2. Coupon Approvals: None.

3. Late Items/Other: None.

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Anthony C. Maiola, Chairman

John W. Byrne, Commissioner

Patricia T. Russell, Commissioner

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